Murphy explains: ''The essence of the rigging of the gold market is that the bullion banks borrowed central-bank gold from various vaults and flooded the market with supply, keeping the price down. The GATA camp has uncovered information that shows that around 15,000 to 16,000 tonnes of gold have left the central banks, leaving the central-bank reserves with about half of what is officially reported.''

This is why those who follow such arcana are predicting an explosion in the price of gold. According to Murphy, ''The gold establishment says that the gold loans from the central banks are only 4,600 to 5,000 tonnes,'' but his information is that these loans are more than three times that number, which means ''they're running out of physical gold to continue the scheme.''

According to Murphy, ''The cartel has been able to get away with lying about the amount of gold in reserve because the International Monetary Fund [IMF] is the Arthur Andersen of the gold world.'' He has provided to Insight documents from central banks confirming that the IMF instructed them to count both lent and swapped gold as a reserve. ''In other words, the IMF told the central banks to deceive the investment and gold world[s]. Once this gold is lent [or] swapped, it's gone until such time as it can be repurchased. And with the skyrocketing price of gold we're now seeing, it would be incredibly expensive, let alone nearly physically impossible, to get it back.''

What is important to understand, says Murphy, ''is that there is a mine and scrap supply deficit of 1,500 tonnes, which is an enormous deficit when yearly mine supply is only 2,500 tonnes and going down. On top of that, there are these under-reported gold loans and other derivatives that are on the short side. There is no way to pay this gold back to the central banks without the price of gold going up hundreds of dollars per ounce. So the peasants and women of the world will have to sell their jewelry at say $800 an ounce to bail out these short positions or someone is going to have to tell the world that they don't have the gold that they have reported,'' shaking the world's financial system to its core.

The gold bugs appear to be basing their identification of a world gold shortage on industry data, much of which has been summarized in two papers prepared by four different gold analysts at different times using separate methods. The first paper was written by governmental investment adviser Frank Veneroso and his associate, mining analyst Declan Costelloe. Titled Gold Derivatives, Gold Lending: Official Management of the Gold Price and the Current State of the Gold Market, it was presented at the 2002 International Gold Symposium in Lima, Peru, and estimates the gold deficit of the central banks at between 10,000 and 15,000 tonnes. The second paper, Gold Derivatives: Moving Towards Checkmate, by Mike Bolser, a retired businessman, and Reginald H. Howe, a private investor and proprietor of the Website www.goldensextant.com, estimates the alleged shortage of central-bank gold at between 15,000 and 16,000 tonnes—nearly a decade's worth of mine production.

George Milling-Stanley, manager of gold-market analysis for the World Gold Council (WGC), a private organization made up of leading gold-mining companies that promotes the acquisition and retention of gold, is aware of these papers and shortage numbers but tells Insight that ''there are no official [gold-reserve] reports.'' That is, ''The central banks are under no obligation to report what they lend into the market, what they place on deposit and what they do with their swaps, so there's a conventional-wisdom view, and a couple of different bodies have done some fairly serious research in[to] this and have come up with a figure [of] around 4,500 to 5,000 tonnes.''

Stanley's estimate is based on data provided by so-called ''serious'' researchers, including Londonbased Gold Fields Mineral Services (GFMS), one of the world's foremost precious-metals consultants, and a report titled Gold Derivatives: The Market View, commissioned by the WGC to London-based Virtual Metals Consultancy. While these two groups appear to be the research choice of the official gold world, there are in fact no ''official'' figures, and both studies, like the Veneroso/Costelloe and Bolser/Howe reports, are based on interviews, data analysis and other research generally available to the industry.

Those who believe the central banks to have misrepresented their actual gold holdings place much of the blame for the lack of transparency on the shoulders of the IMF, which presents itself as being responsible for ensuring the stability of the international financial system. Although the IMF would not respond to questions about its gold-loan/swap requirements, what information has been made public appears to support GATA's understanding of how central-bank reserves are reported.

For example, in October 2001 the IMF responded to questions posed by GATA by saying it is not correct that the IMF insists members record swapped gold as an asset when a legal change in ownership has occurred. According to this response, ''The IMF in fact recommends that swapped gold be excluded from reserve assets.'' Nonetheless, says GATA, there is abundant evidence that this is not the case, citing as an example the Central Bank of the Philippines (BSP).

A footnote on the Website of the Central Bank of the Philippines (www.bsp.gov.ph) in fact directly contradicts the IMF's claim: ''Beginning January 2000, in compliance with the requirements of the IMF's reserves and foreign-currency-liquidity template under the Special Data Dissemination Standard (SDDS), gold swaps undertaken by the BSP with noncentral banks shall be treated as collateralized loans. Thus gold under the swap arrangement remains to be part of reserves, and a liability is deemed incurred corresponding to the proceeds of the swap.''

The European Central Bank (ECB) also made it clear that the IMF policy is to include swaps and loans as reserves. The ECB responded to GATA: ''Following the recommendations set out in the IMF operational guidelines of the 'Data Template on International Reserve and Foreign Currency Liquidity,' which were developed in 1999, all reversible gold transactions, including gold swaps, are recorded as collateralized loans in balance of payments and international investment-position statistics. This treatment implies that the gold account would remain unchanged on the balance sheet.'' The Bank of Finland and the Bank of Portugal also confirmed in writing that the swapped gold remains a reserve asset under IMF regulations.

Although the WGC's Stanley stands by the data provided by the industry's ''serious'' researchers, he insists he cannot say for certain that the numbers are accurate. ''There is no requirement on any country to tell the IMF how much gold it owns,'' says Stanley. ''The requirement is to tell the IMF how much gold it has decided to place in its official reserves. Nobody knows whether that is the total of what they own or not. Obviously they can't report more than what they own, but they can certainly report less if they chose to. That gold may have been lent out, but is nevertheless still owed to them. It's a bit like any company reporting a cash position. It will report cash on hand and cash due—money owed by other people. I'm not saying this is ideal, but this is how it works.''

John Embry, the manager of last year's best-performing North American gold fund and manager of the Royal Precious Metals Fund for the Royal Bank of Canada, says he is putting his and his clients' money on the ''lunatic fringe'' in this dispute: ''I've examined all the evidence gathered by GATA and everyone else, and I think these guys are anything but lunatics. They've done their homework and have unearthed a lot of interesting stuff. The problem, though, is that the market is sufficiently opaque that there is really no way to know who is right and who is wrong.''

''The fact is,'' continues Embry, ''a lot of this stuff is based on estimations. I do however believe that, based on the evidence dug up by Veneroso and Howe, they are presenting equally if not more credible numbers than the other side. I find the campaign to undermine their credence simply bizarre. I think these guys [GATA] are right and that the number put out by Gold Fields Mineral Services as the amount of gold loaned out by the central banks is definitely wrong. Now, whether it's as much as 15,000 is up for interpretation. The recent release by the Bank of Portugal is important. When a central bank has 70 percent of its gold loaned or swapped, I don't think it is operating independently, and I suspect there are an awful lot of them that have loaned out much more than has been reported.''

Embry says, ''I've made a fortune for my clients investing in gold and gold stocks because I have operated on the premise that the Veneroso/Howe reports are right—that gold was significantly undervalued in the daily quote and that it was going a lot higher. The circumstantial evidence, and I bet my clients' money on it, was very much in favor of the guys who said a great deal more central-bank gold had entered the market and driven the price down far too low. GATA has had this story from day one. I think that they're right and that officialdom doesn't want this exposed. GATA is willing to have a public debate but the gold world won't debate. I think there is a tacit admission of anyone who has an IQ above that of a grapefruit that Veneroso and Howe have a pretty good point. I'm an analyst who has looked at both sides of the issue and I bet my money on GATA. So far they've been right.''

Whether the gold bugs are right about the reasons for the meteoric rise in the price of gold is uncertain, but, according to GATA's Murphy: ''It's all the more reason to have the central banks come clean about the actual amount of gold that physically exists in their reserves. Either way, the price of gold will continue to rise because, as we already know and others are discovering, the gold is gone.''

FEDERAL TRANSPORTATION FUNDS

HON. CAROLYN C. KILPATRICK

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 17, 2003

Ms. KILPATRICK. Mr. Speaker, taxpayers have given the U.S. Congress the authority to allocate their hard-earned money to build and repair highways, bridges, mass transit systems and transportation projects of all kinds. In keeping with our Nation's traditions, this program is largely funded by the Federal Government but conducted by the States.

However, there lacks sufficient oversight tools to monitor how Federal transportation money is being spent at the State and local levels. More than 80 percent of comparative studies have found that contracting-out engineering, design and inspection costs of transportation projects cost more than doing this work in-house. The taxpayers could have saved some money and gotten a similar quality if state and local engineers handled the projects.

Furthermore, skilled and dedicated professionals have been leaving State and local governments for private sector, not only because salaries are higher and career opportunities are greater, but it is also because transportation departments have been reducing their staffs, holding down their pay and contracting-out the most interesting work.

Now that the ''baby boom'' generation of engineers is preparing to retire, State and local transportation departments need to take action to retain existing engineering and technical employees and to recruit skilled and dedicated professionals to take the place of those who are leaving.

Because of the oversight deficiency and an intention to keep professional engineers with the State and local transportation departments, I would like to introduce H.R. 1980, The Safety, Accountability, and Funding Efficiency for Transportation Act of 2003, to encourage State and local agencies that carry out surface transportation projects to conduct a cost-benefit analysis before procuring architectural, engineering and related services from a private contractor.

By conducting the cost-benefit analysis, a State's and the Federal Government agency will be able to determine if using private contractors is cost effective and if it is in the public interest to use a private contractor or in-house resources when procuring such services.

My constituents through National Association of State Highway and Transportation Unions, the AFL–CIO's Department of Professional Employees, AFSCME, Service Employees International Union and the Communications Workers of America, have shown their support for H.R. 1980, Safety, Accountability, and Funding Efficiency for Transportation Act of 2003.

The heart of this bill is to require government agencies to prepare cost benefit analysis for private contracts with a Federal funding value of $100,000 or more. The analyses must contain the cost comparison of a proposed project if it is done by a private contractor and a government agency.

In my opinion, it is now time to put accountability in utilizing the taxpayers' hard-earned money at State and local levels, especially in spending Federal transportation funds.

THE HONORABLE JOHN J. RHODES

HON. J. D. HAYWORTH

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 17, 2003

Mr. HAYWORTH. Mr. Speaker, as is the case with so many colleagues past and present, I am honored to have the friendship and good counsel of the distinguished former House Republican Leader, the Honorable John J. Rhodes of Arizona. It is my personal privilege also to count John Rhodes as a constituent of the Fifth Congressional District of Arizona.

John Rhodes' many contributions to our state, to our nation, and to this institution of representative government are widely documented and recognized, most recently by his deserved selection to be among the first recipient of the congressional Distinguished Service Award last week.

The bestowment of that award inspired many congratulatory expressions about the life and career of John Rhodes.

CONGRATULATING FARRAGUT HIGH SCHOOL, THE CHRISTIAN ACADEMY OF KNOXVILLE AND WEBB SCHOOL OF KNOXVILLE FOR THEIR 2003 STATE CHAMPIONSHIP VICTORIES

HON. JOHN J. DUNCAN, JR.

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 17, 2003

Mr. DUNCAN. Mr. Speaker, I rise today to congratulate the student athletes of three Knox County high schools for their recent accomplishments during State Championships. The Farragut Admirals captured the State Title in Class AAA Baseball and Class AAA Boys Soccer while the Christian Academy of Knoxville Warriors won the Boys TSAA Class A–AA Soccer Title and the Webb School of Knoxville Girls Tennis Team took the State Title in Division II Singles and Double categories. I congratulate all the athletes who never gave up and worked tirelessly for these titles. I also congratulate the coaches and parents whose encouragement and instruction made their success possible.

Although no championship season can be easily summarized, I believe these impressive teams have earned specific mention here on the Floor of the House of Representatives.

For the previous three years, the Farragut High School Baseball team had ended their season as the State runners-up, but the 2003 season ended with more than just a well-deserved State AAA Championship. They also set a remarkable new State record with an unprecedented 48–1 season leaving them ranked 4th in the entire Nation. This is truly a remarkable program and I look forward to hearing of many future victories.

The Tennessee AAA Boys High School Soccer Championship game pitted two outstanding Knox County schools against each other when the Farragut Admirals faced off against the Bearden Bulldogs. The skill, intensity and determination of both teams were clearly evident throughout the game. It was Farragut, however, that in double overtime took the championship with a 3–1 victory. Both schools set a new standard for AAA Soccer in Knox County and I commend each of these fine athletes.

For the Christian Academy of Knoxville Boys Soccer team, earning the Tennessee Secondary School Association's (TSAA) State Championship title was a milestone in the school's athletic program and a testimony to each player's commitment to excellence. Their 1–0 victory over Chattanooga Christian School was the culmination of a hard fought season where the Warriors finished 17–2–3. This may have been the school's first State championship in soccer, but I am confident it will not be their last.

I also want to congratulate Webb School of Knoxville's State Division II tennis champions Whitney Chappell, Elizabeth Googe and Berkeley Brock for their victories. Whitney's Singles Championship match took over three hours and was a remarkable demonstration of both skill and stamina. Elizabeth and Berkeley defeated a doubles team from St. Mary's in just two sets, and showed the same level of excellence and determination as their Single's teammate Whitney. Each of these young ladies has raised an already high standard of excellence in athletics at Webb School.

Regardless of the sport, high school athletics provide a tremendous opportunity for our young people to learn and enhance their leadership abilities while also learning the value of teamwork. These young people, along with their peer athletes from other schools, will gain far more than trophies for their efforts. Their dedication to excellence will prepare them for every challenge they will face in the future and their commitment to both physical and mental excellence will serve them well their entire lives.

With or without championship victories, we congratulate every student athlete for their efforts to improve themselves. Every parent, teacher and coach is proud of these young people's hard work and commitment.

Finally, I also want to congratulate those students who commit themselves to excellence in areas off the athletic field. Regardless of the student's interest or skill, if he or she strives to reach beyond what is required, I am sure every Member of this body joins me in saying that we are proud of them and we wish them the absolute best in all they set out to achieve.

THE FOREIGN AID LIMITATION ACT

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 17, 2003

Mr. PAUL. Mr. Speaker, today I introduce the Foreign Aid Limitation Act. This bill limits the ability of the Executive Branch to use the Exchange Stabilization Fund (ESF) to distribute largesse to foreign countries without the approval of Congress.

The Foreign Aid Limitation Act prohibits the Secretary of the Treasury from using the ESF to make a loan or extend credit to any foreign government or entity for an amount exceeding $250,000,000. The bill also forbids the ESF from being used to finance a loan or to extend credit, to any foreign government or entity for a period exceeding 60 days. The 60-day limitation can be waived if the President certifies in writing to the Chair and ranking members of the relevant House and Senate Committees that the United States obtained an assured source of repayment before making the loan or extending the credit. Finally, the bill prohibits the use of the ESF to make loans or extend credit in an amount exceeding $1,000,000,000 to a foreign government or entity without express statutory authorization. This provision can also be waived if the President certifies in writing to the heads of the relevant committees that the loan is necessary to